

Message Text

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44

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 DRC-01 SAJ-01

IO-14 /123 W

----- 075949

R 020825Z AUG 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 3687

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

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EO 11652: N/A

TAGS: ETRN ID

SUBJ: CIVIL AVIATION POLICY AND TROUBLED BALI

TOURIST INDUSTRY

1. SUMMARY: SIGNS OF DISTRESS IN BALI TOURIST INDUSTRY
ARE EVIDENTLY PROMPTING SOMEWHAT LESS RESTRICTIVE GOI
ATTITUDE TOWARD INTERNATIONAL CHARTERS AND WILLINGNESS
TO CONSIDER SOME INCREASE IN DIRECT SCHEDULED AIR
SERVICES TO BALI FROM FOREIGN POINTS OF ORIGIN.
END SUMMARY

2. PER PRESS, COMMUNICATIONS MINISTER EMIL SAMIL HAS
ANNOUNCED SHIFT IN AVIATION POLICY TOWARD CHARTERED
TOUR FLIGHTS TO INDONESIA. MINISTER REPORTEDLY SAID
SUCH FLIGHTS WOULD BE DIRECTED IN FIRST INSTANCE TO BALI,
THEN TO JOGJAKARTA AND CENTRAL JAVA. MANDALA ("PRIVATE")
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AIRLINE CONTROLLED BY KOSTRAD, INDONESIAN ARMY STRATEGIC

COMMAND) IS NOW PERMITTED TO CARRY SINGAPORE-BALI TRAFFIC AND MERAPATI NUSANTARA (A GOI-OWNED FEEDERLINE), FROM DARWIN VIA KUPANG TO BALI. MANDALA PROGRAM HAS ALREADY BEGUN, IN COOPERATION WITH TUNAS TOURIST AGENCY (OWNED BY SISTER OF PRESIDENT-DIRECTOR IBNU SUTOWO OF INDONESIA'S STATE OIL COMPANY PERTAMINA). MINISTER ADDED THAT MERPATI SERVICE "STILL BEING DISCUSSED"--AS WELL IT MAY BE, SINCE ROUTE IN QUESTION IN NOT ONE LIKELY TO GENERATE MUCH TRAFFIC (-ED). MINISTER SAID THESE DECISIONS WERE TAKEN IN RESPNSE TO LOOSES BEING SUSTAINED BY HOTEL OPERATORS IN BALI WHO HOPE THAT INCREASED AIR SERVICE WILL MEAN FEWER EMPTY ROOMS.

3. IT WAS ALSO ANNOUNCED THAT BAN ON JET-EQUIPMENT OPERATION BY OTHER INDONESIAN AIR LINE THAN GARUDA IS BEING RELAXED; ON OTHER HAND, OWNERSHIP CONTINUES RESTRICTED TO GARUDA AND PELITA, AIRLINE SUBSIDIARY OF PERTAMINA. IT APPEARS USE OF JETS BY LINES OTHER THAN GARUDA AND PELITA WILL BE LIMITED TO INTERNATIONAL CHARTER FLIGHTS. ACCORDING TO THESE REPORTS MANDALA IS LEASING EQUIPMENT (A BAC-111) FOR ITS INITIAL OPERATIONS FROM PELITA.

4. WE UNDERSTAND MINISTER SALIM THIS WEEK TOLD VISITORS REPRESENTING AMERICAN HOTEL INVESTORS WYNNCOR DEVELOPMENT COMPANY OF HIS INTENTION TO PERMIT CATHAY PACIFIC AIRLINES, WHOSE BALI SERVICE GOI FORCIBLY TERMINATED AT HEIGHT OF ONE GATEWAY POLICY, TO RESUME HONG KONG-BALI SERVICE THREE TIMES A WEEK. OTHER SOURCES INDICATE CATHAY PACIFIC HAS CONCLUDED IN-PRINCIPLE POOLING AGREEMENT WITH GARUDA TO BE APPROVED IN DUE COURSE BY "EXCHANGE OF NOTES." WE AIDO INFORMED LONG-STANDING AUSTRIALIAN DESIRE FOR INCREASED FREQUENCY OF SERVICE TO INDONESIA MAY BE RESOLVED BY QUANTAS-GARUDA POOLING AGREEMENT. TOURISM DIRECTOR GENERAL PRAJOGO, IN COMMENTING THIS WEEK ON THE CATHAY PACIFIC NEWS, UNDERLINED MINISTER SALIM'S VIEW THAT RIGHT TO BALI (AND FOR THAT MATTER OTHER PINTS IN INDONESIA) SHOULD BE NEGOTIATED ON A CASE-BY-CASE BASIS AND DEPEND ON THE BENEFITS TO INDONESIA OF EACH ARRANGEMENT. LIMITED OFFICIAL USE

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5. MINISTER SALIM TOLD AMBASSADOR JULY 30 THAT BALI HOTEL OCCUPANCY RATES NOW AVERAGING 30 PERCENT. BALI BEACH (PAA INTERCONTINENTAL MANAGED), NEW SANUR BEACH HOTEL (GARUDA/KLM OPERATED) AND SOME OF THE CHEAPER ACCOMODATIONS DOING BETTER, WHILE BALI HYATT (90 PERCENT US OWNED) UNDOUBTEDLY DOING WORSE. MINISTER ATTRIBUTED HYATT RECORD PRINCIPALLY TO STARTUP

PROBLEMS. REPRESENTATIVES OF WYNNCOR DEVELOPMENT CORPORATION, PRINCIPAL BALI HYATT SHAREHOLDER, SAID THAT IN THE COURSE OF AN HOUR'S DISCUSSION WITH THE MINISTER JULY 31 ON THESE PROBLEMS HE URGED ON THEM A MORE ACTIVE TOURIST DEVELOPMENT PROGRAM TO BOLSRTER OCCUPANCY. THEIR VIEW, ON THE OTHER HAND, THAT UNCERTAIN AVIATION POLICY ATMOSPHERE IN INDONESIA LIKELY TO THWART SUCH EFFORTS BECAUSE OF LEAD TIME REQUIRED FOR PACKAGE-TOUR PROMOTION (18 MONTHS). THEIR VIEW THAT TOURIST ARRIVALS CAN BEST BE ENCOURAGED B IMPROVING AIR SERVICE TO SYDNEY, HONG KONG, SINGAPORE, MANILA, AND TOKYO.

6. AS DEPARTMENT AWARE, IT HAS LONG BEEN NOMINAL GOI POLICY TO PERMIT CHARTER FLIGHTS TO INDONESIA, SO LONG AS THEY WERE PART OF "INCLUSIVE TOUR." IN FACT, HOWEVER, WE KNOW OF NO CHARTERS THAT HAVE BEEN PROMOTED ON A REGULAR BASIS. AS FOR CHARTERS OPERATED BY FOREIGN CARRIERS, THERE HAS BEEN NO OUTRIGHT PROHIBITION BUT APPARENTLY FEW IF ANY HAVE BEEN ABLE TO OPERATE IN THE FACE OF BURDENSOME FORMALITIES FOR OBTAINING FUEL AND LANDING CLEARANCES. QUERIED BY AMBASSADOR NEWSOM ON JULY 30 ABOUT GOI INTENTIONS IN THIS RESPECT, MINISTER INDICATED THAT ENCOURAGEMENT OF FOREIGN CHARTERS PLAYED NO PART IN THE NEW MEASURES TO HELP BALI TOURIST INDUSTRY. "WE HAVE TO HELP INDONESIAN CARRIERS FIRST," IS THE MINISTERS APPROACH.

7. COMMENT: THESE DEVELOPMENTS EXPRESS MINISTER SALIM'S CONCEPTION OF BALI AS HIS PRINCIPAL ASSET IN FOSTERING DEVELOPMENT OF INDONESIA'S INTERNATIONAL AIRLINE AFTER LONG PERIOD OF GROPING, POOLING ARRANGEMENT HAS EMERGED AS INSTRUCMENT WHEREBY LIMITED OFFICIAL USE

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RIGHTS TO BALI ACCORDED FOREIGN AIRLINES CAN BE MADE SUPPORTIVE OF GARUDA. IN THE CASE OF TOURIST CHARTERS, NOTEWORTHY THAT GARUDA OPPOSITION TO THIS FORM OF COMPETITION WAS ONLY BREACHED (APPARENTLY) THROUGH PERTAMINA'S POWERFUL INFLUENCE. PERTAMINA ROLE IN ITS TURN (AS WELL AS THAT OF GARUDA) LIKELY TO CIRCUMSCRIBE OPPORTUNITIES FOR OUTSIDERS TO LEASE EQUIPMENT TO INDONESIAN CHARTER OPERATORS. NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, POLICIES, TOURISM, SUPPLEMENTAL AIRLINES, AIR SCHEDULES, AIR ROUTES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKART09544
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740210-0914
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740879/aaaacqds.tel
Line Count: 163
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2002 by shawdg>; APPROVED <25 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVIL AVIATION POLICY AND TROUBLED BALI TOURIST INDUSTRY
TAGS: ETRN, ID
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005